e-Business Tax Module

Overview of setup and lessons learned for Canadian Implementations
Name: Dev Singh

Title: Consultant

Office Number: 416-601-6618

Email: desingh@deloitte.ca

Number of eBTax Implementations: 2 (1 upgrade, 1 net new implementation)

Profile:

Dev has been working with Deloitte’s EBS practice for almost 3 years. Though his experiences, Dev has had hands-on experience leading the delivery of the e-Business Tax module in both net new implementation and upgrade settings. Through his project experiences, Dev has had the opportunity to work with modules such as Cash Management, iexpense, Project Costing and Payables. Working with the leads of other sub ledger modules, Dev has functionally designed custom objects for solutions that satisfy business requirements not readily served through the use of out-of-the-box functionality.
Discussion Topics

1. Introduction to the eBTax Module
2. High-level overview
3. Components of the Regime to Rate Flow
   a) Tax Regime
   b) Tax
   c) Tax Status
   d) Tax Jurisdiction
   e) Tax Recovery Rates
   f) Tax Rates
   g) Tax Rules
4. Common Canadian Setup
5. Vertex
6. Common Maintenance Exercises
7. Reporting
High-level Overview
## R12 e-Business Tax

### Benefits

- Central location for consumption tax setups
- Allows for automatic tax calculations
- Out-of-the-box Tax Reports (Tax Registers)
- Integration with 3rd party software

### Implementation Considerations

- Allocate a Tax resource to the project
- Create an inventory of tax scenarios from AP/AR transactions
- Create an inventory of Product exceptions & Supplier/Customer exemptions
- Consolidate Tax Accounts
Components of eBTax
Introduction of e-Business Tax Cont’d

- The Tax Engine uses the structure called the Regime to Rate flow which has up to 7 different components

<table>
<thead>
<tr>
<th>Tax Regime</th>
<th>Tax</th>
<th>Tax Status</th>
<th>Tax Recovery Rate</th>
<th>Tax Jurisdiction</th>
<th>Tax Rates</th>
<th>Tax Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Regimes are the overarching setup for all taxes within a larger region, usually a country. Regimes can include several taxes but are usually paid to the same tax authority.</td>
<td>The Tax is the charge that is levied by the tax authority in a particular region (e.g., GST, HST, QST, PST)</td>
<td>Tax Statuses determine the taxable nature of a good or service given the parameters of a transaction</td>
<td>Percentage of taxes charged that can be reclaimed</td>
<td>Tax Jurisdictions represent the geographical areas where a specific tax rate applies (e.g., Nova Scotia, Quebec, Manitoba) These Tax Jurisdictions relate to locations that are housed in the Trading Community Architecture</td>
<td>Tax Rates are mapped back to Tax Jurisdictions and Tax Statuses. Tax Rates represent the percentage that is charged based on the taxable amount (for Canadian Taxes)</td>
<td>Tax Rules refer back to the different parameters for a given transaction to determine which tax rates apply.</td>
</tr>
</tbody>
</table>

Required for VATs, not Sales Taxes
Components of the Regime to Rate Flow

Tax Regime

- First component in the Regime to Rate flow

- Setups housed in the Tax Regime are inherited by the lower level components if set before creating them

- Legal Entities are subscribed to Tax Regimes

- Tax Regimes can have one or more taxes

- Examples: CA GST and HST, CA PST
Components of the Regime to Rate Flow

Tax Regime Cont’d

<table>
<thead>
<tr>
<th>Components of the Regime to Rate Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax Regime Code</strong></td>
</tr>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td><strong>Canada</strong></td>
</tr>
<tr>
<td><strong>Regime Level</strong></td>
</tr>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td><strong>Canada</strong></td>
</tr>
<tr>
<td><strong>Parent Regime Code</strong></td>
</tr>
<tr>
<td><strong>01-Jan-1952</strong></td>
</tr>
</tbody>
</table>

**Main Information**

- **Tax Regime Code**: CANADA
- **Country Name**: Canada
- **Effective From**: 01-Jan-1952
- **Used to group Regimes**: Yes

**Controls and Defaults**

- **Allow Tax Recovery**: Yes
- **Allow Tax Exemptions**: Yes
- **Allow Override and Entry of Inclusive Tax Lines**: Yes
- **Allow Tax Exceptions**: Yes

**Defaults**

- **Minimum Accountable Unit**: CAD 0.01
- **Nearest**: Standard Non-Inclusive Handling
- **Default Recovery Settlement**: Immediate
- **Corporate**

**Deloitte**
Components of the Regime to Rate Flow

Tax

• Taxes are the second component in the Regime to Rate Flow

• Taxes must have at the very least, the following requirements:
  • Tax Status (including 1 default status)
  • Tax Jurisdiction (including 1 default jurisdiction)
  • Tax Rate (including 1 default Tax Rate)
  • Tax Rules (default tax rules)

• If Tax Recovery is turned on, taxes will need to have at least one Tax Recovery Rate

• Examples: CA HST, CA GST, CA QST, CA PST
Components of the Regime to Rate Flow
Tax Cont’d
Components of the Regime to Rate Flow

Tax Status

• Tax Statuses are used as a mechanism of driving a particular tax rate on a transaction

• Tax Statuses can be used in combination with tax rules to drive different tax rates based on an item, party or other criteria within the transaction

• In order for Tax Statuses to be used they should be attached to at least one tax rate

• Examples: CA HST Standard, CA GST Exempt
Components of the Regime to Rate Flow

Tax Jurisdictions

- Tax Jurisdictions are used to describe regions where tax rates apply

- Tax Jurisdictions can only belong to one Tax
  - If a jurisdiction levies more than one tax rate, tax jurisdictions must be created for each tax (ie. A PST tax jurisdiction for BC and a separate GST tax jurisdiction for BC)

- Tax Jurisdictions have to be mapped using an one to one relationship with geographies held in Trading Community Architecture (TCA) per tax
  - Ie. There will be separate set-ups for a tax jurisdiction for BC PST and BC GST

- Examples: CA BC (GST), CA BC (PST)
Components of the Regime to Rate Flow – Tax Jurisdictions Cont’d

Module: e-Business Tax (ZX)

Module: TCA

Existing Geography

Tax Jurisdiction
Components of the Regime to Rate Flow
Tax Recovery Rates**

**Mandatory for Value Added Tax (VAT) setups

- If used, Tax Recovery Rates are unique to a combination of Tax and Tax Statuses

- Tax Recovery Rates are assigned to a Tax Rate in the Tax Rate Details screen

- Examples: CA GST Standard Recovery Rate – 100%, CA GST Meals Expense Rate – 50%
Components of the Regime to Rate Flow – Tax Rates

• Tax Rates percentages can be modified by end dating old percentages and setting and adding a new percentage rate

• Tax Rates can be deleted as long as there is a default Tax Rate assigned to the Tax and the Tax Rate has not been used to book accounting

• Examples: CA GST Standard Rate – 5%
Components of the Regime to Rate Flow
Tax Rates – Tax Accounts
Components of the Regime to Rate Flow

Tax Rules

- Tax Rules are used to determine how the tax engine should calculate taxes for transactions

- At the very least, Default Tax Rules should be set before taxes can be made available for transaction

- Advanced Tax Rules are used to determine how taxes should be calculated when they deviate from the norm

- Advanced Tax Rules can be created using the Guided Rule Entry or Expert Rule Entry options
  - Expert Entry Rule option is more desirable when creating the same rule within multiple taxes
  - Expert Rules Use Determining Factor Sets and Condition Sets to drive an expected result
  - Guided Entry Rules have the same elements of an Expert Entry Rule but is done within the same series of screens
Components of the Regime to Rate Flow
Tax Rules Cont’d

<table>
<thead>
<tr>
<th>Select Name</th>
<th>Type</th>
<th>Configuration Owner</th>
<th>Default</th>
<th>Set Default</th>
<th>Event Class</th>
<th>Rule Order</th>
<th>Determining Factor</th>
<th>Enabled</th>
<th>Guided Rule Expert Rule Entry</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Tax Rate Determination</td>
<td>Rule Type</td>
<td>Rule Name: Global Configuration Owner</td>
<td>Ship to, use bill to if ship to is not found</td>
<td></td>
<td></td>
<td>Purchase Transaction 5</td>
<td>BF PROVINCE</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine Place of Supply</td>
<td>Rule Type</td>
<td>CA GST PLACE OF SUPPLY</td>
<td>Global Configuration Owner</td>
<td></td>
<td></td>
<td>Purchase Transaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine Tax Registration</td>
<td>Rule Type</td>
<td>Bill From Party</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine Tax Status</td>
<td>Rule Type</td>
<td>CA GST STANDARD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine Tax Rate</td>
<td>Rule Type</td>
<td>CA GST BC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA EXEMPT BY ACCOUNT RATE</td>
<td>Rule Name: Global Configuration Owner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA BC GST AP</td>
<td>Rule Name: Global Configuration Owner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine Taxable Basis</td>
<td>Rule Type</td>
<td>STANDARD_T8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calculate Tax Amounts</td>
<td>Rule Type</td>
<td>STANDARD_TC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine Recovery Rate</td>
<td>Rule Type</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA REC RATE RULE</td>
<td>Rule Name: Global Configuration Owner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Select tax rule type: Reorder Rules
Components of the Regime to Rate Flow
Tax Rules Cont’d

- The Expert Rule Entry option for creating Tax Rules requires three parts:
  
  i. **Determining Factor Set**
      At a high level, the Determining Factor Set indicated what elements of the transaction will drive a result that differs from the default rule.

  ii. **Condition Set**
      The Condition Set dictates the actual values the elements highlighted in the Determining Factor Set must equal or not equal to drive an alternative to the default tax rule.

  iii. **Result**
      The Result is the expected alternative outcome to the default rule that is expected once the condition outlined in the condition set is met.
Components of the Regime to Rate Flow
Tax Rules Cont’d

Business Requirement:
Client X would like all imported goods to be exempt of PST.

Determining Factor Set – DF: Imports:
If the Ship From Country is…

Condition Set – CS Imports:
Not Equal to Canada

Status Result:
CA PST Exempt - BC

Rate Result:
CA PST Exempt  Rate- BC
## Components of the Regime to Rate Flow
### Example Setup

<table>
<thead>
<tr>
<th>Tax Regime</th>
<th>Tax</th>
<th>Tax Status</th>
<th>Tax Rate</th>
<th>Tax Recovery</th>
<th>Tax Jurisdiction</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA GST and HST</td>
<td>CA GST</td>
<td>CA GST Standard</td>
<td>CA GST Standard Rate</td>
<td>CA GST 100% Rec Rate</td>
<td>AB, BC, MB, NT, NU, QC, SK, YT</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CA GST Exempt</td>
<td>CA GST Exempt Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>CA GST Zero</td>
<td>CA GST Zero Rate</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Vertex
What is Vertex?

The Vertex tax platform can be used in conjunction with Oracle EBS to handle tax compliance. The software tracks tax rates by geographic region.

Due to the many combinations of State, County, City and Postal Codes which affect how tax is applied in the United States, clients will drastically reduce maintenance efforts by leveraging this software by:

1. Having the software create tax jurisdictions for the United States
2. Applying the applicable tax rates for the created US jurisdictions

The software can communicate with Oracle EBS using one of two different types of configuration.
One option is have Oracle EBS interface with an external Vertex system and have Oracle send all transactions to the tax platform through custom built interfaces. This is referred to as the dynamic call method.

Option 1 – Dynamic Call

1. Oracle sends tax jurisdiction information on transactions to Vertex
2. Vertex reads the tax jurisdiction, calculates the applicable taxes and sends the information back to Oracle
Option 2 – Rate File Load

The second option is to have Vertex set up tax jurisdictions and apply the applicable tax rates by uploading the rate file. Tax lookups are done via the Oracle e-Business Tax tables populated with Vertex data.
Common Maintenance Exercises
Maintenance Exercise:
Existing tax no longer applicable in a specific region

- When a region no longer charges a specific tax, the Tax Jurisdiction will need to be modified.
  - Tax Jurisdictions cannot be deleted and should therefore be end-dated by entering the populating the Default Effective To date with the date that the tax becomes invalid in the region.
  - This allows invoices that have an invoice date prior to the end-date to be entered after the end-date and generate the correct Tax Calculation.
Reporting
Financial Tax Register

- RXI Report
- Customize Layout (define attribute set)

<table>
<thead>
<tr>
<th>Extract Source</th>
<th>Tax Number</th>
<th>Tax Line Class</th>
<th>Tax Regime Code</th>
<th>Tax Status Code</th>
<th>Tax Rate Code</th>
<th>Tax Rate</th>
<th>Tax Recoverable Flag</th>
<th>Taxable Amt</th>
<th>Tax Recovery Rate</th>
<th>Tax Amt</th>
<th>Total Accumulated Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA HST STANDARD RATE - 11L</td>
<td>13 Y</td>
<td>Y</td>
<td>1000</td>
<td>100</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD RATE</td>
<td>5 Y</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD RATE</td>
<td>5.975 Y</td>
<td>0</td>
<td>300</td>
<td>100</td>
<td>89.785</td>
<td>393.785</td>
</tr>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD RATE</td>
<td>5.975 Y</td>
<td>0</td>
<td>300</td>
<td>36.46453846</td>
<td>15</td>
<td>315</td>
</tr>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD RATE - 0N</td>
<td>13 Y</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD RATE - NE</td>
<td>13 Y</td>
<td>122.22</td>
<td>100</td>
<td>15.69</td>
<td>131.11</td>
<td>131.11</td>
</tr>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD RATE - NE</td>
<td>13 Y</td>
<td>0</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD RATE</td>
<td>5 Y</td>
<td>100.01</td>
<td>100</td>
<td>5</td>
<td>105.01</td>
<td>105.01</td>
</tr>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD RATE</td>
<td>5 Y</td>
<td>0</td>
<td>100</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD RATE</td>
<td>5 Y</td>
<td>0</td>
<td>100</td>
<td>25</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD RATE</td>
<td>5 Y</td>
<td>0</td>
<td>100</td>
<td>45</td>
<td>945</td>
<td>945</td>
</tr>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD RATE</td>
<td>5 Y</td>
<td>0</td>
<td>100</td>
<td>90</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td>AP</td>
<td>TyTest0001</td>
<td>STANDARD INVOICES</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD</td>
<td>CA GST STANDARD RATE</td>
<td>5 Y</td>
<td>1200</td>
<td>100</td>
<td>60</td>
<td>1260</td>
<td>1260</td>
</tr>
</tbody>
</table>
Your thoughts....

Q & A